

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: January 29, 2008

Bill Number: H.B. 4550

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to designate Section 5 of Act 115 of 2007 as Section 12-6-515, Code of Laws of South Carolina, 1976, relating to the reduction in the South Carolina individual income tax liability of individuals by subjecting the bottom of the 2.5 percent state individual income rate to a tax rate of zero, so as to provide further rate reductions for married taxpayers by reducing the three percent rate to two percent over three years and to define "married taxpayer" consistently with the definition for marriage provided in the constitution of this state.

REVENUE IMPACT ^{1/}

This bill is expected to reduce General Fund individual income tax revenue by \$4,512,979 in FY 2008-09, an additional \$4,666,107 in FY 2009-10 and an additional \$6,432,574 in FY 2010-11.

Explanation

This bill would reduce the current 3% individual income tax rate to 2% by tax year 2010 for married taxpayers filing jointly. The reduction does not apply to non-married filers or to married taxpayers filing separate returns. The rate reduction is phased-in by reducing the 3% rate to 2.7% in tax year 2008, 2.4% in tax year 2009 and 2.0% for tax year 2010 and thereafter. Reducing the rate from 3% to 2.7% for married joint filers is expected to reduce General Fund individual income tax revenue by \$4,512,979 in FY 2008-09. Reducing the rate from 2.7% to 2.4% in tax year 2009 is expected to reduce income tax revenue by an additional \$4,666,107 for FY 2009-10. In the last year of the phase-in, lowering the rate from 2.4% to 2.0% is expected to reduce income tax revenue an additional \$6,432,574 in FY 2010-11.

Analyst: Jolliff

/s/ WILLIAM C GILLESPIE

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Chief Economist

^{1/} This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).